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Ministry  
of  
Revenue

Ontario

Retail  
Sales Tax  
Branch

# Information Bulletin

## Retail Sales Tax Act

Number 1-92

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This bulletin summarizes changes to the **Retail Sales Tax Act**, proposed in Bill 130, as well as information on other items of interest to vendors. The changes were introduced in the Ontario Budget of April 29, 1991 and will take effect, unless otherwise noted, when Bill 130 receives Royal Assent.

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### TAX FOR FUEL CONSERVATION

Effective August 1, 1991, the gas-guzzler tax was replaced with a new **tax for fuel conservation** (TFFC).

The TFFC applies to:

- new **passenger cars** that use 6.0 or more litres, or
- new **sport utility vehicles** that use 8.0 or more litres,

of gasoline or diesel fuel per 100 kilometres of highway driving.

The TFFC applies as follows:

Highway Fuel Consumption Ratings (Litres/100 Km)	TFFC on New Passenger Cars	TFFC on New Sport Utility Vehicles
6.0 to 7.9	\$ 75	\$ 0
8.0 to 8.9	\$ 75	\$ 75
9.0 to 9.4	\$ 250	\$ 200
9.5 to 12.0	\$1,200	\$ 400
12.1 to 15.0	\$2,400	\$ 800
15.1 to 18.0	\$4,400	\$1,600
over 18.0	\$7,000	\$3,200

The TFFC applies to retail sales of all passenger cars or sport utility vehicles not previously sold before August 1, 1991. It applies to vehicles sold in Ontario as well as to vehicles sold outside Ontario and brought into Ontario for use here.

The TFFC on specific passenger and sport utility models will be prescribed in a regulation following Royal Assent of Bill 130. Currently, a list of models and the TFFC that applies to each is available from the Retail Sales Tax Branch.

Similar to the tire tax, the TFFC is included in the selling price of a new vehicle before calculating the 8% retail sales tax.

The TFFC does **not** apply to new trucks or vans, or to used motor vehicles. Motor vehicles imported as settler's effects and vehicles registered by status Indians to a reserve address are also exempt from the TFFC.

Buyers of motor vehicles that operate or are converted to operate **only** on an alternative fuel can get a refund of the TFFC. For more information on the refund for alternative fuel vehicles please contact your local Retail Sales Tax office.



## TAX CREDIT FOR FUEL CONSERVATION

Bill 130 introduced a \$100 **tax credit for fuel conservation** to be effective August 1, 1991. The credit is available to buyers of new **passenger cars** that use less than 6.0 litres of gasoline or diesel fuel per 100 kilometres of highway driving. The credit is **not** available to buyers of other motor vehicles such as sport utility vehicles and vans.

Car dealers will deduct the tax credit from the total of 8% retail sales tax and tire tax charged to customers. If a customer is charged less than \$100 in total for retail sales tax and tire tax, the credit will equal the taxes charged. There is no credit if a car is exempt from both the 8% retail sales tax and the tire tax.

Buyers who import new passenger cars into Ontario, that use less than 6.0 litres of gasoline or diesel fuel per 100 kilometres of highway driving, are also eligible for the credit. The credit may be deducted from the retail sales tax and tire tax collected by the licensing office of the Ministry of Transportation where the car is first registered in Ontario.

## TAX FOR FUEL CONSERVATION AND TAX CREDIT FOR FUEL CONSERVATION - LEASES/RENTALS

Notices regarding the tax for fuel conservation (TFFC) and the tax credit for fuel conservation (TCFFC) on short and long-term leases/rentals were mailed to vendors in the industry in October and November 1991. Those vendors who are interested and did not receive this information should write to Tax Advisory, Retail Sales Tax Branch, Ministry of Revenue, 33 King Street West, P.O. Box 623, Oshawa, Ontario, L1H 8H7 or phone (416) 433-6313. Collect calls will be accepted.

## STATUS INDIANS - INDIAN BANDS AND BAND COUNCILS

When Bill 130 receives Royal Assent, the exemption from retail sales tax, tire tax and tax for fuel conservation for individual status Indians will also apply to Indian bands and band councils.

Currently, all goods and taxable services bought on reserves by individual status Indians are tax-exempt. In addition, tax is not charged to contractors for materials bought to construct a building or structure on a reserve that is paid for by the band council. The building or structure must be used to provide a community service for status Indians.

Individual status Indians may also buy most personal goods off-reserve and have them delivered by the seller to a reserve address. The seller should get a signed delivery slip or bill of lading for each exempt sale. If the seller delivers the goods to a non-reserve address, however, Ontario taxes must be charged.

Status Indians may take personal delivery of goods off-reserve. They must show their "Certificate of Indian Status" card to the seller to get the exemption (this card is issued by the federal Department of Indian and Northern Affairs and is the **only** card recognized by the Retail Sales Tax Branch for this purpose). Sellers must note in their records the person's name, card number, reserve, and a brief description of the goods bought.

In most cases, where personal delivery is taken by a status Indian off-reserve, sellers do not have to confirm if the goods will be used on a reserve. A seller is only required to record the sale as noted above. The one exception is for vehicles licensed under the **Highway Traffic Act**. Sellers should **not** accept "Certificate of Indian Status" cards if the licensed vehicles **are not registered to a reserve address**.

The procedures and conditions which individual status Indians must follow to buy exempt, will also apply to Indian bands or band councils when Bill 130 is passed. There is one exception. Where personal delivery is taken off-reserve by the council or band, a purchase exemption certificate, signed by a member of the council or band, must be given to the seller. A "Certificate of Indian Status" card cannot be used when buying on behalf of the Indian band or band council.

Goods and services bought by status Indians, Indian bands or band councils and used off-reserve are taxable.

Examples include:

- labour
- goods delivered to an off-reserve address
- transient accommodation
- prepared food products at a cost of more than \$4.00.

Alcoholic beverages, whether bought on or off-reserve, are taxable.

## TAX REFUNDED BY VENDORS

Under the circumstances described below, vendors can refund all or part of retail sales tax charged to customers. For sales made on or after January 1, 1991, a refund must be made within four years from the date of the sale (three years for sales made before January 1, 1991). Vendors can deduct the tax refunded to customers from the tax reported on line 2 of their next retail sales tax return.

Currently, there is no time limit for vendors to adjust their tax returns for these refunds. When Bill 130 receives Royal Assent, vendors will have four years from the date of a refund to deduct the amount refunded from future tax remittances.



All or part of the retail sales tax charged may be refunded for any of the following reasons:

- an error was made when calculating the tax or selling price of goods, taxable services, or prices of admission;
- the buyer of goods provides the vendor with a properly completed purchase exemption certificate, after the tax was charged, showing the goods are for resale;
- all or part of goods bought were returned for credit;
- the selling price of goods is reduced to allow for damage, defect or customer dissatisfaction;
- all or part of the selling price of a taxable service is refunded; or
- a discount of the selling price of goods, taxable services, or prices of admission is made for prompt payment.

Tire tax and TFFC may be refunded **only** if the selling price of the goods is **fully** refunded.

## ARTWORK

Artwork that may be bought tax-exempt under paragraph 40 of subsection 7(1) of the **Retail Sales Tax Act** is limited to artwork bought by manufacturers or producers who use the artwork themselves to produce printed items. Manufacturers and others who buy artwork to be used by a printer in the production of printed items are not exempt from paying tax under paragraph 40.

Bill 130 proposes an amendment to the **Retail Sales Tax Act** that will allow an exemption for artwork bought by a non-printer. The exemption, effective January 1, 1991, will be limited to artwork bought for use in the production of **exempt** printed items such as books and religious publications.

## COMBINED RST AND GST RATE

As outlined in Information Bulletin 1-91, (IB 1-91) dated March 1991, under certain conditions, the Ministry of Revenue allows vendors to use a combined rate of tax to calculate both the retail sales tax (RST) and the federal goods and services tax (GST). For 8% provincial tax, the combined rate is 15% (8% RST + 7% GST), and for 10 % provincial tax, the combined rate is 17% (10% RST + 7% GST).

In addition to the conditions outlined in IB 1-91, vendors may use combined rates **only** if:

- their method of billing is by cash register tape, and
- the cash register has only one tax key.

Vendors whose method of billing is by invoice may not use a combined rate. A separate calculation must be made on the invoice for RST.

## ADVERTISING AND SALES PROMOTIONS - VENDOR RESPONSIBILITIES

Buyers of taxable goods, services, and admissions are required to **pay Ontario retail sales tax at the time of purchase**.

In most cases, Ontario retail sales tax must be collected on the price displayed or advertised. In other cases, vendors in the hospitality industry may be authorized to use tax-included pricing instead of tax-extra pricing to collect the tax. However, vendors using tax-included pricing must clearly post a sign, either stating that prices include retail sales tax or showing the amount of tax included in each price. You should contact the Retail Sales Tax Branch for more information on who may use tax-included pricing.

Vendors authorized to collect Ontario retail sales tax, whether tax-extra or tax-included, should not advertise or imply that they will:

- pay or absorb the tax,
- refund the tax,

or in any way give the impression that the tax is not part of the purchase price. Visitors to Ontario who may be entitled to tax refunds on goods, could be misled by some promotions to believe that no tax has been paid.

Advertising statements such as "**we will discount the selling price of goods equal to the tax payable**" or "**we will discount the selling price of goods equal to the tax rate**", are acceptable. However, vendors must show the amount of retail sales tax due on a sale or indicate, if tax-included pricing is allowed, that retail sales tax is included.

If you advertise or indicate that no Ontario tax is payable and fail to collect the tax from your customers, **you may be charged for any tax deficiencies and other penalties when your records are reviewed by the Retail Sales Tax Branch**.



## VEHICLES POWERED BY ALTERNATIVE FUEL - ORIGINAL DOCUMENTS

The **Retail Sales Tax Act** provides for a refund of Ontario retail sales tax paid on motor vehicles powered by an alternative fuel. The refund is limited to \$750 for motor vehicles powered by propane or \$1,000 for motor vehicles powered by any other alternative fuel. In addition, applicants who qualify for a refund of retail sales tax may also qualify for a refund of the tax for fuel conservation on new passenger vehicles or new sport utility vehicles.

Refunds are available for motor vehicles that operate on an alternative fuel when bought, or that are converted to operate on an alternative fuel within 180 days after being bought.

Effective January 1, 1992, applicants must provide **originals**, rather than copies, of the following:

- the purchase or lease contract for the vehicle showing the purchase price or lease payments and the tax paid
- if tax on the vehicle was paid at a Motor Vehicle Licence office of the Ministry of Transportation, the receipt issued by the office at the time the vehicle was transferred showing the tax paid
- the conversion contract showing the conversion date and the tax paid.

The original documents will be returned to the applicant.

If a vehicle was bought on or after January 1, 1991, refund applications must be made within four years from the date of purchase. For vehicles bought prior to January 1, 1991, applicants have three years to file a refund claim. Forms may be obtained at a local Retail Sales Tax office.

## FARMERS - ALL-TERRAIN VEHICLES

People in the business of farming may buy farm implements, farm machinery, farm equipment, agricultural products, and repair parts exempt from tax.

Effective October 29, 1991, this exemption has been extended to include all-terrain vehicles and repairs to such vehicles that have:

- an engine displacement of 200 cubic centimetres or more; **and**
- are equipped with a carrying platform or a carrying rack.

To get the exemption, a farmer must give a purchase exemption certificate to the seller certifying that the all-terrain vehicle will be used in the business of farming. If the all-terrain vehicle does not have **both** of the above features, Ontario retail sales tax must be paid.

Pour obtenir cette publication en français, veuillez communiquer avec votre bureau local de la taxe de vente au détail.

This bulletin is to be used as a guideline only. For more information, please call your local Retail Sales Tax office listed in the blue pages of your telephone directory.

